

Message Text

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ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 EUR-10 EA-07 IO-03 SP-02 PM-03

L-02 INR-10 EB-03 SCI-03 SAM-01 PRS-01 DRC-01 CIAE-00

DODE-00 NSC-07 NSCE-00 /074 W

----- 027450

R 071625Z OCT 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4353

INFO AMEMBASSY CAIRO

AMEMBASSY ISLAMABAD

AMEMBASSY TEHRAN

USINT BAGHDAD

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KABUL

AMEMBASSY KUWAIT

AMEMBASSY MOSCOW

AMEMBASSY MUSCAT

AMEMBASSY TEL AVIV

USMISSION USUN NY

AMEMBASSY MANAMA

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY KATHMANDU

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E. O. 11652: GDS

TAGS: PFOR, IN, XF

SUBJECT: INDIA AND THE ARAB WORLD

SUMMARY: INDIAN INTEREST IN THE MIDDLE EAST IS NOW CENTERED IN THE PERSIAN GULF, WHICH CONTROLS INDIA'S CRUDE OIL IMPORTS AND WHICH STANDS AS A POTENTIAL SOURCE OF FINANCIAL AND MILITARY ASSISTANCE TO PAKISTAN. INDIA'S TRADITIONAL POLICY OF ALMOST (BUT NOT QUITE) TOTAL SUPPORT FOR THE "ARAB CAUSE" HELPS IT IN DEALING WITH THE ARAB STATES OF THE GULF. IT HAS HAD SOME SUCCESS IN SELLING FOOD, RAW MATERIALS AND TECHNICAL MANPOWER AND IN BUYING CRUDE OIL ON SOFT TERMS. AS A RESULT, INDIA WILL CONTINUE TO SUPPORT ARAB POLICIES. MEANWHILE, HOWEVER, INDIA'S RELATIONS WITH ITS TWO TRADITIONAL FRIENDS AMONG THE ARABS -- EGYPT AND IRAQ -- HAVE DECREASED IN IMPORTANCE AS EGYPT HAS IMPROVED ITS RELATIONS WITH THE WEST AND AS INDIAN HAS IMPROVED ITS RELATIONS WITH IRAN. END SUMMARY.

1. INDIA'S SUPPORT FOR THE ARAB CAUSE: HISTORICALLY, INDIAN POLICY TOWARD THE ARABS HAS CENTERED ON PROVING THE SECULARITY OF PREDOMINANTLY HINDU INDIA AND PREVENTING SOLID MUSLIM SUPPORT FOR PAKISTAN IN INTERNATIONAL FORUMS. IN 1971, INDIA'S CONSISTENT PRO-ARAB POSITION ON ARAB-ISRAEL ISSUES DIDN'T PROVENT THE ARABS FROM SUPPORTING PAKISTAN IN THE UN. AGAIN, IN 1973, THE ARABS INITIALLY FAILED TO LIST INDIA AS A FAVORED COUNTRY FOR THE PURPOSES OF THE OIL EMBARGO. THESE EVENTS PROVIDED AMMUNITION FOR THE SMALL PRO-ISRAEL LOBBY IN INDIA, WHICH CONSISTS OF THE HINDU NATIONALIST JANA SANGH PARTY, SOME OTHER OPPOSITION ELEMENTS, AND A FEW MAVERICKS WITHIN THE CONGRESS PARTY AND THE GOVERNMENT. THEY FAILED, HOWEVER, TO SWAY THE GOI FROM ITS SUPPORT FOR THE ARAB CAUSE. IT MAINTAINS THAT THIS SUPPORT IS BASED ON PRINCIPLE AND THEREFORE NOT TO BE CHANGED OPPORTUNISTICALLY. OFFICIALS ADD PRIVATELY THAT NOT ALL THE ARABS HAVE SUPPORTED PAKISTAN ONE HUNDRED PERCENT -- NOBODY TURNED OFF INDIA'S OIL SUPPLY DURING THE 1971 WAR AND SOME ARABS BROKE RANKS TO RECOGNIZE BANGLADESH (IRAQ) AND TO PLAY A KEY ROLE IN PAKISTANI RECOGNITION OF BANGLADESH (EGYPT AND KUWAIT). MORE RECENTLY, INDIAN SUCCESS IN MAKING A BILATERAL DEAL CONFIDENTIAL

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WITH IRAQ FOR CRUDE OIL ON DEFERRED PAYMENT TERMS AND HOPE OF SIMILAR DEALS WITH OTHER ARAB PRODUCERS MAKES IT EVEN LESS LIKELY THAT IT WILL REDUCE ITS SUPPORT FOR THE ARABS, EITHER ON THE ARAB-ISRAEL QUESTION OR ON OIL PRICING AND SUPPLY ISSUES. DOMESTIC POLITICAL IMPERATIVES FURTHER REINFORCE INDIA'S DETERMINATION TO CONTINUE ITS PRO-ARAB POLICY -- THE RULING CONGRESS PARTY WANTS THE SUPPORT OF THE MORE THAN 60 MILLION INDIAN MUSLIMS, WHO

IDENTIFY WITH THE ARAB CAUSE.

2. THE ISRAELI CONNECTION: EVEN SO, INDIA HASN'T GONE QUITE ALL THE WAY WITH THE ARABS. IT PERMITS AN ISRAELI CONSUL TO FUNCTION IN BOMBAY AND HAS RESISTED STRONG ARAB STATE PRESSURE TO CLOSE HIS OFFICE. IT BUYS A FEW THINGS FROM ISRAEL (INCLUDING ON OCCASION SOME ARMS) AND SELLS SOMEWHAT MORE TO ISRAEL. TOTAL TURNOVER, HOWEVER, IS ONLY \$5 TO \$6 MILLION ANNUALLY. OFFICIALS DEFENDED THESE ACTIONS PRIVATELY BY OBSERVING THAT THE ARABS HAVEN'T SUPPORTED INDIA PUBLICLY AGAINST PAKISTAN AND THAT INDIA IS TOO LARGE AND INDEPENDENT TO JUMP WHENEVER THE ARABS SNAP THEIR FINGERS.

3. THE ARAB STATES OF THE GULF: IF INDIA'S INITIAL INTEREST IN THE ARAB WORLD STEMMED FROM ITS PROPAGANDA WAR WITH PAKISTAN AND ITS OWN MUSLIM POPULATION, ITS RECENT INTEREST IN THE SUB-REGIONAL AREA OF THE PERSIAN GULF STEMS FROM MORE BASIC ECONOMIC AND GEO-POLITICAL IMPERATIVES: INDIA WANTS OIL AND IT WANTS TO PREVENT PAKISTAN FROM GAINING THE FINANCIAL/MILITARY BACKING OF THE OIL-RICH STATES OF THE GULF. INDIA IMPORTS ROUGHLY TWO THIRDS OF ITS CRUDE OIL REQUIREMENTS, WHICH WILL COST IT MORE THAN ONE BILLION DOLLARS THIS YEAR. IT CLAIMS TO KNOW THAT SOME OF THE WORLD'S OIL MONEY FLOWING INTO THE ARAB STATES OF THE GULF -- PARTICULARLY SAUDI ARABIA AND ABU DHABI-- IS BEING LOANED TO PAKISTAN TO BUY SOPHISTICATED MILITARY EQUIPMENT WHICH PAKISTAN OTHERWISE COULDN'T AFFORD. ALSO, IT FEARS THAT SOME OF THE ARMS PURCHASED BY THESE STATES FOR THEIR OWN USE MAY BE AVAILABLE TO PAKISTAN IN WAR TIME. PAKISTANIS ALREADY FLY ABU DHABI'S MIRAGES, AND OTHER PAKISTANIS SERVE IN OR ADVISE THE MILITARY IN KUWAIT, SAUDI ARABIA AND OMAN.

4. INDIA'S RESPONSE: INDIA WANTS TO STRENGTHEN ITS POSITION
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IN THE ARAB STATES OF THE GULF. IT RECOGNIZES THAT PAKISTAN HAS AN ADVANTAGE BECAUSE OF ITS MILITARY INVOLVEMENT THERE, THE MUSLIM TIE AND ITS BANKING ACTIVITY IN THE AREA. INDIA, HOWEVER, HAS GOING FOR IT A TRADITIONAL RELATIONSHIP WHICH INCLUDES A SUBSTANTIAL INDIAN POPULATION IN THE GULF, AS WELL AS ITS CONSISTENT SUPPORT FOR THE ARAB CAUSE AND ITS ABILITY TO SUPPLY SOME OF THE IMPORT NEEDS OF THE AREA. FOREIGN MINISTER SWARAN SINGH TOURED THE GULF IN 1973, AND INDIA HAS NAMED FULL AMBASSADORS TO EACH OF THE NEWLY-INDEPENDENT COUNTRIES OF THE AREA OVER THE PAST 18 MONTHS. IT IS OFFERING, EITHER IN RETURN FOR OIL OR ON A STRAIGHT COMMERCIAL BASIS, INDIAN PRIMARY PRODUCTS (E.G., SUGAR AND HIGH QUALITY RICE), SEMI-MANUFACTURES (E.G., CEMENT), AND TECHNOLOGY (E.G., OFFERS TO CONSTRUCT FERTILIZER, PETRO-CHEMICAL AND OTHER INDUSTRIAL PLANTS). IT IS ALSO WILLING

TO HELP THESE COUNTRIES RECRUIT INDIAN ENGINEERS AND TECH-
NICIANS TO ADD TO THE TENS OF THOUSANDS OF INDIANS ALREADY
WORKING IN THE GULF AS CLERKS, ACCOUNTANTS, AND BUSINESSMEN.
IT WOULD LIKE TO SELL SOME MILITARY EQUIPMENT IN THE GULF--

PERHAPS ONLY CLOTHING, HELMENTS, SMALL ARMS AND THE LIKE TO
BEGIN WITH, BUT MORE SOPHISTICATED ITEMS LATER. IN RETURN,
THE GOI DOESN'T ASK THAT THESE COUNTRIES FORSAKE THEIR
RELATIONSHIP WITH PAKISTAN; ONLY THAT THEY BALANCE THIS
BY A RELATIONSHIP WITH INDIA AS WELL. IT SEEKS A POSITION
FROM WHICH IT CAN MAKE ITS VIEWS KNOWN AND PROVIDE A REASON
FOR THE GULF STATES TO AVOID LEANING TOO FAR TOWARD PAKISTAN.

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DODE-00 NSC-07 NSCE-00 /074 W

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AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY DAMASCUS

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5. HOW WELL IS INDIA DOING IN THE GULF? LEAVING IRAQ ASIDE
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FOR THE TIME BEING (SEE BELOW), INDIA HAS HAD MIXED SUCCESS IN THE GULF. AT THE ONE EXTREME, IT DOESN'T SEEM TO HAVE GOTTEN VERY FAR WITH SAUDI ARABIA, WHICH AS THE GUARDIAN OF MECCA IS MOST INVOLVED WITH MUSLIMS BOTH INSIDE INDIA AND IN NEIGHBORING PAKISTAN. INDIA IS TAKING A GRADUAL APPROACH, BEGINNING WITH A VISIT BY PLANNING MINISTER D.P. DHAR IN MAY 1974. MORE RECENTLY, HOWEVER, INDIA HAS CONSIDERED ITSELF LUCKY TO PERSUADE SAUDI ARABIA NOT TO INSIST ON PENALTIES BECAUSE INDIA BACKED OUT MID-WAY THROUGH A CONTRACT TO BUY 3.3 MILLION TONS OF SAUDI OIL ON HARD TERMS. ON THE OTHER EXTREME, INDIA HAS EXCHANGED SEVERAL VISITS WITH THE UNITED ARAB EMIRATES AND IS DISCUSSING WITH THE UAE AN OIL DEAL OF THE TYPE IT HAS WITH IRAQ AND IRAN. (PRESS REPORTS SAY THIS WOULD BE FOR 2.5 MILLION TONS OF OIL A YEAR, BUT SOURCES HERE WILL SAY ONLY THAT SUCH A BARGAIN IS UNDER DISCUSSION). IT CLAIMS TO HAVE SOLD \$40 MILLION WORTH OF "ARMY SOFTWARE" TO THE MIDDLE EAST, WHICH PRESUMABLY WENT MOSTLY TO ARAB STATES. THE LIMITING FACTOR ON THE ECONOMIC SIDE IS INDIA'S ABILITY TO SUPPLY WHAT THE ARABS WANT. TO EXPORT LARGE QUANTITIES OF CEMENT, SUGAR AND PREMIUM QUALITY RICE, INDIA MUST TAKE THESE ITEMS AWAY FROM ITS OWN CONSUMERS, WHICH IS DIFFICULT IN A DEMOCRACY. IT CAN AND WILL PROVIDE PART OF WHAT THE ARABS WANT, BUT A REAL EXPORT PUSH IN SUCH COMMODITIES WILL HAVE TO WAIT UNTIL INDIA GETS ITS OWN ECONOMIC HOUSE IN ORDER.

6. EGYPT: AMONG THE ARAB STATES, EGYPT AND IRAQ HAVE TRADITIONALLY HAD THE CLOSEST RELATIONS WITH INDIA. THE EGYPT-INDIA RELATIONSHIP GOES BACK TO THE EARLY DAYS OF NON-ALIGNMENT AND THE FRIENDSHIP BETWEEN NASSER AND NEHRU. THE SUBSTANCE HAS NEVER MATCHED THE POLITICAL COOPERATION AND RHETORIC, HOWEVER: TRADE HAS GROWN ONLY SLOWLY TO A TOTAL TURNOVER OF ABOUT \$75 MILLION A YEAR, THE TWO COUNTRIES DON'T PARTICULARLY NEED EACH OTHER'S TRAINED MANPOWER, AND MILITARY COOPERATION HAS IF ANYTHING DECLINED. (AN INDIAN AIR FORCE ADVISORY TEAM WAS WITHDRAWN A FEW YEARS AGO AND

THE RUMORED COOPERATIVE ARMS PRODUCTION PROGRAMS DON'T APPEAR TO HAVE GOTTEN BEYOND THE DISCUSSION STAGE EVEN THOUGH BOTH COUNTRIES ARE SOMEWHAT SIMILARLY EQUIPPED WITH SOVIET-ORIGIN ARMS.) MOREOVER, ACCORDING TO ONE INDIAN OFFICIAL, THE DEVELOPING EGYPTIAN RELATIONSHIP WITH THE US MEANS THAT INDIA

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WILL BE COMPARATIVELY LESS IMPORTANT FOR EGYPT, BOTH IN A DIPLOMATIC AND ECONOMIC/MILITARY SENSE.

7. IRAQ: HERE, INDIA HAS BOTH AN OLD FRIENDSHIP AND A STRATEGIC INTEREST. IN A PROGRAM WHICH DATES BACK 15 YEARS, INDIA HAS ABOUT 14 AIR FORCE PERSONNEL IN IRAQ HELPING TO TRAIN IRAQI PILOTS. BOTH COUNTRIES HAVE TREATIES OF FRIENDSHIP AND COOPERATION WITH THE SOVIET UNION AND ARE HEAVILY RELIANT ON THE SOVIETS FOR SUPPLY OF SOPHISTICATED ARMS. IRAQ IS NOW SUPPLYING 2.5 MILLION TONS A YEAR OF CRUDE TO INDIA ON A DEFERRED PAYMENT BASIS AND HAS GUARANTEED BOTH TO MAINTAIN PRESENT LEVELS OF SUPPLY AND TO INCREASE SHIPMENTS BY 1978. INDIA AND IRAQ ARE JOINTLY PROSPECTING FOR OIL IN IRAQ, AND THEY ARE DISCUSSING A VARIETY OF INDUSTRIAL AND TRANSPORTATION PROJECTS. THIS RELATIONSHIP WITH IRAQ HAS LOST SOME OF ITS SHINE, HOWEVER, AS INDIA HAS STRENGTHENED ITS TIES WITH IRAN OVER THE PAST YEAR. WHILE INDIA CONTINUES TO NURTURE THE "SPECIAL" RELATIONSHIP WITH IRAQ AND TO BE ALERT TO IRAQI SENSITIVITIES (E.G., ON THE KURDISH QUESTION), THE FACT IS THAT INDIA FINDS IRAN MORE INTERESTED IN MOVING AHEAD ON TRADE AND JOINT ECONOMIC PROJECTS. AS ONE FOREIGN MINISTRY OFFICIAL EXPLAINED, "WE'RE HAPPY TO HAVE THE LOANS FROM IRAQ, BUT IRAN IS GIVING US AN OPPORTUNITY TO REPAY THEM AS WELL." ALSO, WHILE INDIA RECOGNIZES IRAN'S LEADERSHIP POTENTIAL IN THE GULF, IT SEES IRAN IN A STRONGER POSITION RIGHT NOW. MOREOVER, INDIA IS LESS INTERESTED IN IRAQ AS A COUNTERWEIGHT TO A PRO-PAKISTANI IRAN NOW THAT ITS OWN RELATIONS WITH IRAN HAVE IMPROVED AND IT HAS BECOME LESS CONCERNED ABOUT IRANIAN SUPPORT FOR AN AGGRESSIVE PAKISTAN.

8. US INTERESTS: WE AREN'T LIKELY TO GET THE INDIANS TO CHANGE THEIR POSITIONS TO TAKE A MORE BALANCED STAND ON ARAB-ISRAEL ISSUES, OR TO JOIN ANY MULTILATERAL EFFORT DIRECTED AGAINST THE OIL PRODUCERS. THEY MAY BE WRONG IN HOPING THAT IF THEY SUPPORT THE ARABS AGAINST ISRAEL, THE ARABS WILL SUPPORT THEM AGAINST PAKISTAN, BUT THIS POLICY IS SO WELL ESTABLISHED SINCE NEHRU'S DAYS THAT THERE IS LITTLE HOPE OF CHANGING IT. AS FAR AS OIL IS CONCERNED, WHATEVER INCENTIVE INDIA MAY POSSIBLY HAVE HAD TO OPPOSE THE OPEC COUNTRIES HAS

DISAPPEARED WITH INDIA'S SUCCESS IN GETTING SPECIAL TERMS FROM

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IRAN AND IRAQ AND THE HOPE OF DOING AS WELL WITH THE UAE. FINALLY, INDIA'S FOREIGN POLICY IS DEEPLY INVOLVED WITH THE "NON-ALIGNED MOVEMENT" IN WHICH THE ARABS HAVE HEAVY INFLUENCE AND INDIA WILL NOT ACT SO AS TO JEOPARDIZE ITS POSITION OR ANTAGONIZE THE ARAB BLOC(AND ITS AFRICAN SUPPORTERS) IN THAT FORUM. THIS DOESN'T MEAN INDIANS LIKE ARAB POLICIES. PRIVATELY, ONE HEARS SARCASM, CRITICISIM, AND STRAIGHT -FORWARD BITTERNESS TOWARD THE ARABS OVER THEIR OIL POLICIES. THE GOI, HOWEVER, IS NOT SAYING ANY OF THIS PUBLICLY OR, SO FAR AS WE CAN TELL, TO ANY ARABS FACE-TO-FACE.

8. NOW THAT INDO-IRANIAN RELATIONS HAVE IMPROVED, INDIAN EFFORTS TO IMPROVE ITS POSITION IN THE GULF ARE PROCEEDING IN TANDEM WITH RATHER THAN OPPOSITION TO IRAN. STILL PREOCCUPIED WITH CHINA AND PAKISTAN, THE INDIAN MILITARY MACHINE DOES NOT YET SEE ITSELF AS HAVING A MISSION IN THE GULF. THE INDIAN EFFORT IS THUS BENIGN.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, POLICIES, MILITARY ASSISTANCE, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE13398
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740284-0136
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741067/aaaacfdv.tel
Line Count: 353
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2002 by rowelle0>; APPROVED <11 MAR 2003 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIA AND THE ARAB WORLD SUMMARY: INDIAN INTEREST IN THE MIDDLE EAST IS NOW
TAGS: PFOR, IN, XF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005